White Paper

Churn Rate:

All the Why's & How's to Decrease Churn Rate

APPGAIN.io

INTRODUCTION

With the COVID-19 Pandemic, the digital marketing playground is filling up with new players. We, as marketers, are challenged more with the factors like authenticity, speed, innovation & adaptability. The ones who fail to keep up with the ever-shifting needs of their customers & stake-holders are eliminated & the ones who are customer-centric and data-driven prevailed.

How did they do that?

For example, they knew the chances of selling to existing customers are 60-70%, while the rate is 5-20% with new users.

This means, increasing the loyal customer rate, decreasing the churn rate will bring you more purchases.

They worked on keeping the customer & increasing their loyalty, communicate with them based on their behavior and buying experience.
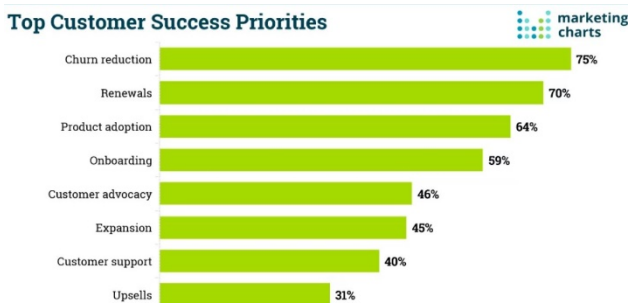
Today & through this document, we will help you achieve that tricky balance between increasing your sales & decreasing your Churn Rate simultaneously, starting by defining what exactly churn rate is.

What is Churn Rate?

Churn rate is the number of your customers who have suddenly stopped purchasing or using your service or product for an extensive & given period. For sure, the churn rate has varied according to the industry.
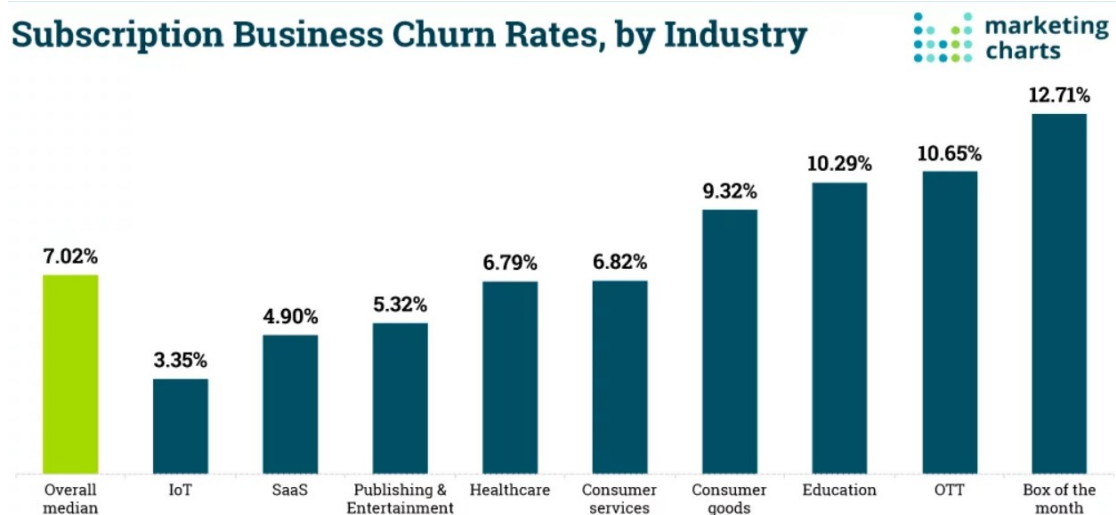
Why is Churn Rate Important?

- It's one of the most vital indicators of your customers' satisfaction with your service. So you can go deeper with understanding the reason for the dissatisfaction & solve the struggling steps of your funnel

- Churn rate is a measurable metric Quantifiable data is more efficient & trusted in terms of developing your business & your campaigns

- Understanding the churn users' pattern will allow you to solve it & facilitate your customers' workflow and experience. After that, it becomes easier to engage with new users more efficiently & you can prevent them from becoming churn

- Decreasing the churn rate helps you to test & identify ways to increase the loyalty of your users. Loyal customers are worth ten times more, rather than a user who made the first purchase

How to calculate the Churn Rate?

CHURN FORMULA

customers who left

$$\frac{120}{40\,000 + 1\,250} \times 100 = \mathbf{0{,}29}\%$$

to get %

customers at the beginning of the period (month)

new customers aquired during that period (month)

Churn's impact on sales & revenue

After the COVID-19 Pandemic, the digital world expanded enormously:

- The total number of mobile connections has increased by 72 million (0.9 percent) & reached 8.02 billion at the start of 2021.
- Internet usage has increased 7.3% (316 million) since January 2021, and it reached 4.66 billion in January 2021.

Now, it's even harder to keep users tracked in your service. There are cheaper, more qualified, more expensive, more organized options in each industry. What will bring you the growth comes from understanding the churn and working on reducing it.

Why Does Churn Happen?

- Your UI might be complicated
- The user may not be satisfied with the product offer or the after-sales support...
- The user may have a pending complaint, refunds, or received not completed order
- The purchasing process might be long and distracting for the user.
- Your product/ value may seem insufficient for the user's problem.
- They might have heard a nasty comment about you.
- They may have chosen your competitor for some reason.
- Your customer service may have given an unqualified service.
- They might have needed a push to purchase, which you didn't send

## What challenges do marketers face when trying to decrease the churn rate?

- It was knowing the reasons for the inactive users.
- Lack of user insights.
- Poor segmentation of users.
- Long action & measurement process.
- You are not analyzing the outcomes of the measurement.
- Making campaigns & actions that are not possible to measure or track.
- They are insisting on an assumed value instead of listening to the customer.
- Being unable to get feedback directly from the user or monitor his in App behavior

What's the Solution?

Get To Know Your Users.

- Make rich user profiles: Know how to approach the user in what way after which behavior

- Customize your campaigns from each segment. Test & measure them if it satisfies your aim.

- Do A/B tests. Don't repeat the common mistake of assuming your campaign will fine from the get-go, no matter how optimized it is. Test, test and test some more and respond to what your customers and users are telling you through these tests.
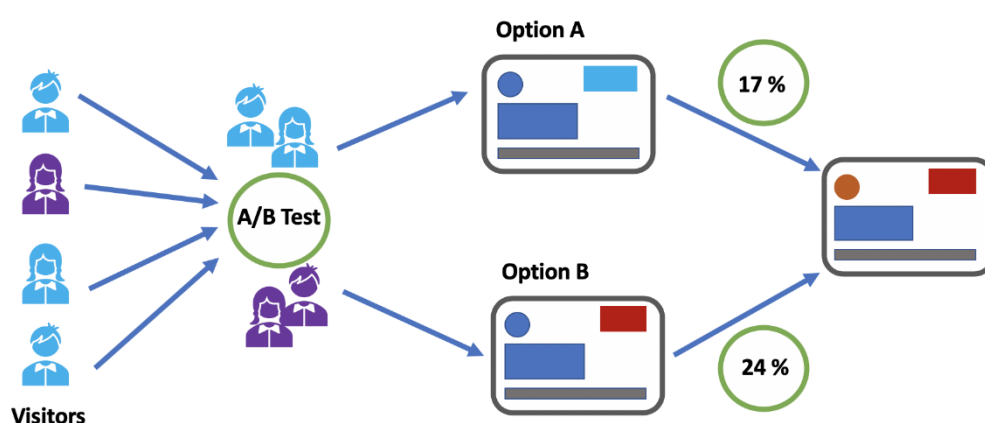
- Collect customer feedback: Get in touch with our customers and engage with them when and how they want to be communicated, whether questionnaires, social media posts or email messages. These conversations, if done right, will give you insights into their objectives, pain points, goals, and desires & how your service or product can help them do precisely that.

- Use deep linking: Don't lose your user just because he/she doesn't have your app. Direct them to the download page, which offers both you and him an uninterrupted fluid buyers journey & workflow

- Adapt loyalty programs. If you award & motivate your users for being loyal, it will make them stick around and invite more people to join.

- Give personalized discount offers in exchange for the information about why they're leaving. It will feed your customer insight, and both might prevent the user from unsubscribing.
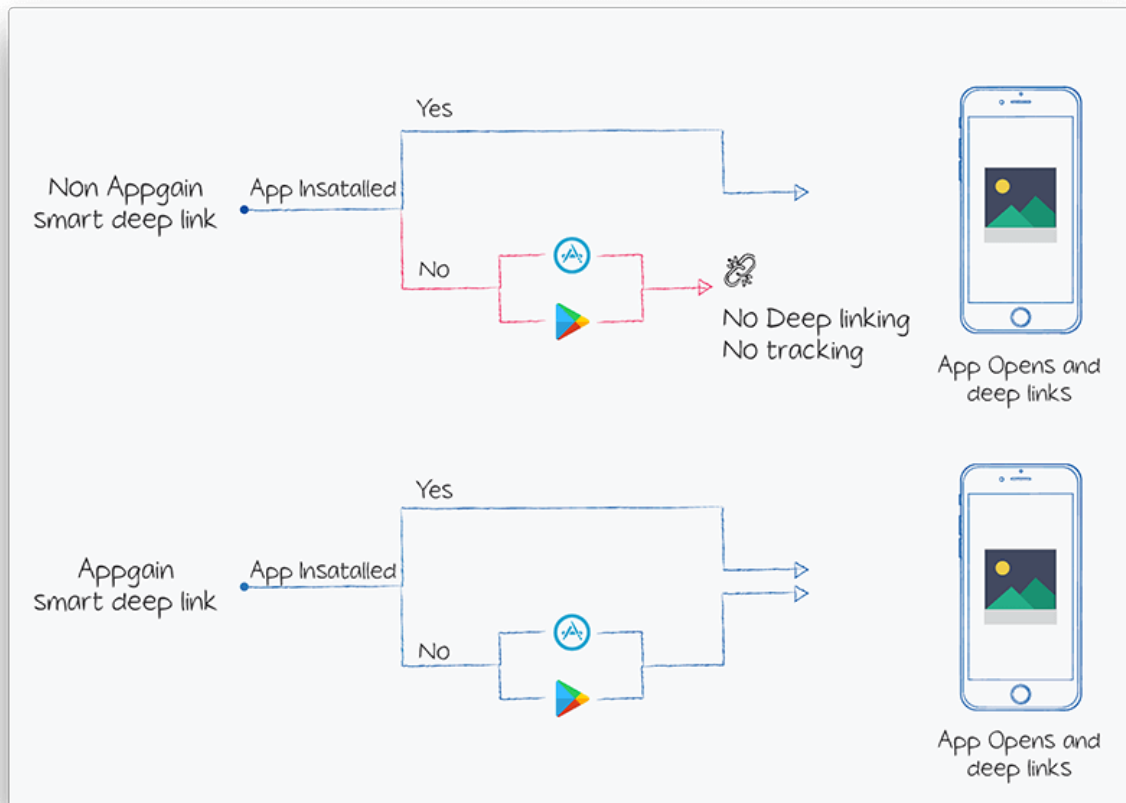
- Are you competitive enough? It's most probably impossible in your industry that you are the only one who offers a solution/ product or offer. That's why you need to stand out in the way which attracts your target segment the most.

- Capitalize on your strength points: Analyze which topics are your strengths and at which points your competitors win. Measure if those features are valuable for your users. If so, apply them

- Don't forget to promote the shared value of what you offer through your campaigns. Ask your team if it means something to your target persona

- Don't forget to retarget. When you've detected one segment of a user that is interested in something you did or something related to your product, make the most out of that information

The Retargeting Cycle

- Adapt loyalty programs. If you award & motivate your users for being loyal, it will make them stick around and invite more people to join.
- Give personalized discount offers in exchange for the information about why they're leaving. It will feed your customer insight, and both might prevent the user from unsubscribing.
- Focus on your current users: Keep in touch with your existing users & constantly offer them value

It costs five times as much to attract a new customer, than to keep an existing one

- Use omnichannel marketing. Approach your users with attractive messages, rich push notifications, or emails.

The Equation

Send   the Right   Message

(+) to   the Right   Person

(+) at   the Right   Channel

(+) on   the Right   Time

Omnichannel Marketing Solution from Marketer To Marketer

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